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**WESTCOAST TRANSMISSION  
COMPANY LIMITED**

*Agrees Nov 18*  
*[Signature]*

**REPORT TO SHAREHOLDERS  
FOR THE SIX MONTHS  
ENDED SEPTEMBER 30, 1969**



## WESTCOAST TRANSMISSION COMPANY LIMITED

### TO THE SHAREHOLDERS

Frank M. McMahon, founder of Westcoast and chairman of the Board and chief executive officer, announced his decision to retire at the company's quarterly meeting held in Vancouver on October 21.

Mr. McMahon said he would remain actively connected with the operation and development of the Westcoast group of companies, but that after having been in the business for 45 years he would like to "lighten the load a little." He will continue to serve as a director and thus his vast experience in and knowledge of the gas and petroleum industry will continue to be available to the company.

D. P. McDonald, Q.C., senior vice president and general counsel, was elected chairman of the board and chairman of the executive committee. Douglas Owen, president, was elected chief executive officer.

In other changes Lloyd S. Gilmour, of New York, general partner of Eastman Dillon, Union Securities & Co., who had been a director since the inception of the company, announced his retirement; as did Clifford Hood, director, of New York, who served the company for six years. Elected to the board were K. H. Gibson, president of Pacific Petroleums Ltd., Calgary, and E. C. Phillips, group vice president of Westcoast in Vancouver. Dr. Chas. R. Hetherington was named vice president of corporate development.

During the first six months of the fiscal year ended September 30, gas deliveries, sales income and net earnings all increased over the corresponding period of 1968.

Consolidated net income was \$2,000,000, or 30 cents a share compared with \$609,000, or 9 cents a share, in the first six months of the previous year. Revenue from gas sales increased 23 percent to

\$35,383,000, from \$28,817,000. Sales averaged 635 million cubic feet per day, compared to an average of 576 million cubic feet per day in the previous year.

The most significant development during the past six months was the negotiation of a new gas export sales agreement with the El Paso Natural Gas Company which supersedes and consolidates the three export sales contracts now in effect. It also provides for an increase in both border prices and volumes and extends export sales to 1991. Upon receipt of the required authorizations both in Canada and the United States, exports will increase from the present level of 500 million cubic feet per day up to 850 million cubic feet per day by November 1, 1973.

The new border prices and the escalation clause of the contract recognize increased costs for gas purchased, for construction of new facilities, and for interest expense. The prices are realistic in establishing a fair rate of return on capital investment and are sufficient to enable the company to enlarge its facilities to meet the volumes required to be delivered under the consolidated contract. Both the American Gas Association and the Federal Power Commission have recently recognized an impending serious shortage of gas in the United States and the importance of further Canadian imports to supplement their domestic sources of supply. The company is confident that the terms of the consolidated agreement will receive the support of the state regulatory commissions concerned and the favorable consideration of the Federal Power Commission in the United States.

The evaluation of Westcoast's gas reserves completed during the past summer shows a marked increase in the available supply of gas. The company's engineering staff now estimates available reserves to be in excess of 10.3 trillion cubic feet, an increase of 1.3 trillion cubic feet in the past year. In excess of 9.4 trillion cubic feet of this is under contract to Westcoast. This volume, in the opinion of the company, is fully adequate for maintaining a continued

supply for the growing demands of the British Columbia markets and the proposed increased export sales to the Pacific Northwest markets in the United States.

#### **AFFILIATED COMPANIES**

Westcoast Production Co. Ltd., the company's exploration and production affiliate which was publicly financed to the extent of some \$24,000,000 in February, 1969, has completed assembling a highly qualified exploration and operating staff. This new organization has been active in evaluating present land holdings, in acquiring additional acreage, and preparing exploration and development plans. An exploration program involving 300 miles of seismic survey and the drilling of at least 24 wells is planned for the coming winter season. The company now holds 3 million net acres out of 9 million gross acres in Alberta, British Columbia, the Yukon, the Northwest Territories, and the Arctic Islands.

Main drilling activities will be in Alberta and British Columbia where markets for production are readily available, although one well will be drilled as a joint venture with Western Pacific Products & Crude Oil Pipelines Ltd. and Pacific Petroleum Ltd. on a large structure known as the Ram anticline near the Mackenzie River in the Northwest Territories. Concurrently, the company is continuing to focus its attention on its large holdings in the eastern Arctic Islands where extensive exploration by a number of major companies will be undertaken this winter. Recently Westcoast Production, through a subsidiary, took a 20 percent participation in a newly acquired concession off the coast of Ghana in West Africa. Seismic surveys on this concession are in progress and the drilling of a test well is scheduled for the near future. Westcoast owns 40 percent of the common shares of the Production Company.

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Westcoast Transmission's oil pipeline affiliate, Western Pacific Products & Crude Oil Pipelines

Ltd., reports net earnings for the nine month period ending September 30 amounted to \$1,681,000 or 25 cents a share, compared with \$1,526,000 or 22.8 cents a share in the corresponding period in 1968. Westcoast owns 48 percent of the common shares.

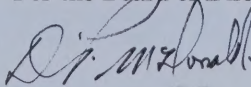
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Another affiliate, Pacific Northern Gas Ltd., a natural gas distribution pipeline system extending from the Westcoast mainline to tidewater at Prince Rupert, has been actively engaged in installing distribution facilities in centres along its route. Service has also been completed to two pulp mills in its area, and in addition a 28-mile lateral line was completed to the Takla-Fort St. James area where large milling and mining activities are underway. The entire area served by the company is growing rapidly in population and industry. Westcoast owns all the voting shares and 25 percent of the issued shares of the company.

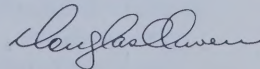
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Preliminary work is continuing on the Mountain Pacific Pipeline Ltd. project, jointly sponsored by the company and Bechtel Corp. of San Francisco. Exploration projected for this winter in the vicinity of the proposed pipeline route could provide the initial supplies of gas required for the first phase of this system, which is planned to extend from the Liard basin to the Canadian-U.S. border where it would connect with a new pipeline to southern California. Preliminary work is also underway on the second phase of the project, namely, extending the pipeline system north from the Liard basin down the Mackenzie River Valley and along the north slope of Alaska to the vicinity of Prudhoe Bay.

For the Board of Directors



*Chairman of the Board*



*President*

October 27, 1969.



# WESTCOAST TRANSMISSION COMPANY LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF OPERATIONS

	Six Months Ended September 30	
	1969	1968
<b>Revenue:</b>		
Gas sales and other operating revenues.....	\$42,771,174	\$36,217,433
Investment and other income.....	623,858	762,840
	<u>43,395,032</u>	<u>36,980,273</u>
<b>Expenses:</b>		
Gas purchases.....	17,483,824	16,286,901
Operating expenses and property taxes.....	10,175,354	8,751,756
Interest and debt expense.....	7,916,126	6,210,244
Depreciation and amortization.....	5,456,063	4,586,534
Other income deductions.....	363,451	453,992
	<u>41,394,818</u>	<u>36,289,427</u>
<b>Net Income before special items.....</b>	<b>2,000,214</b>	<b>690,846</b>
Net loss of subsidiary company while wholly-owned*.....	—	81,763
<b>Net Income.....</b>	<b><u>\$ 2,000,214</u></b>	<b><u>\$ 609,083</u></b>
Earnings per share.....	<u>30¢</u>	<u>9¢</u>

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

### Source of Funds:

Net income plus non-cash items included in expense.....	\$ 7,563,131	\$ 5,688,654
Sale of investments.....	—	921,789
Capital stock issued.....	120,985	5,625
Additional long term debt (net of financing costs).....	—	73,281,053
Miscellaneous.....	—	125,632
	<u>7,684,116</u>	<u>80,022,753</u>

### Application of Funds:

Additions to plant, property and equipment.....	5,338,810	13,210,855
Dividends.....	1,673,816	—
Retirement of long term debt and bank loans.....	3,420,976	71,980,617
Increase in investments.....	170,985	1,599,000
Consolidated working capital released to former subsidiary.....	—	546,094
Miscellaneous.....	988,069	—
	<u>11,592,656</u>	<u>87,336,566</u>

<b>Decrease in Working Capital.....</b>	<b><u>\$ 3,908,540</u></b>	<b><u>\$ 7,313,813</u></b>
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Included in the foregoing statements are offsetting expenses and revenues associated with deliveries of gas at Kingsgate, B.C., for export to the United States as follows:

Gas purchases.....	\$ 4,422,160	\$ 4,349,541
Operating expenses.....	1,834,684	1,806,550
Operating revenues.....	<u>\$ 6,256,844</u>	<u>\$ 6,156,091</u>

\*The revenue and expenses, and the financial results of Westcoast Production Co. Ltd., formerly a wholly-owned subsidiary, have been recast for 1968 in order to present the consolidated figures for that year on a basis comparative with 1969.

Figures for this Interim Report are prepared from the records of the Company without audit.

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WESTCOAST TRANSMISSION COMPANY LIMITED  
1155 WEST GEORGIA STREET, VANCOUVER 5, B.C.

FOR RELEASE: AFTER 11.00 a.m., MONDAY, JULY 28, 1969

VANCOUVER, B.C. -- Westcoast Transmission recorded a substantial increase in both natural gas sales and profit during the first three months of the company's fiscal year which ended June 30, it was announced at the annual meeting held in Vancouver today.

During the first quarter -- April, May and June -- sales averaged 673 million cubic feet a day, an increase of 13.1 percent from last year's sales of 595 million feet a day.

At the same time net earnings of \$1,262,000, or 19 cents a share were 30.5 percent higher than the previous \$967,000, or 14 cents a share.

In other revenue figures: cash flow, before providing for long term debt, was \$4 million, an increase of 48 percent over last year's \$2.7 million; and sales revenue showed an increase of 23.6 percent.

These increases came at a time when the Pacific Northwest market area was experiencing an unusually warm spring and when normally there is a sharp decrease in gas purchases for heating uses, Douglas Owen, president and treasurer, said.

The increases reflect a growing overall demand for gas and a steady improvement in the load factor of distribution companies





purchasing from Westcoast, which enable the Westcoast system itself to be operated on a fuller utilization basis.

"From now on we can expect virtually 100 percent use of the pipeline capacity over six months of the year -- from mid-October to mid-April -- instead of short term peak demands of a few years ago."

Mr. Owen reviewed recent contracts signed between Westcoast and El Paso Natural Gas Company for the sale of two additional increments of 75 million cubic feet of gas a day; one in 1970, and the other in 1971. He also expressed hope for an early approval of both the sale and the requisite system expansion by regulatory boards in Canada and the United States.

Price for gas under this contract is 32.25 cents (U.S.) per thousand cubic feet at a 90 percent load factor, increasing to 33.3 cents on November 1, 1972. This is approximately one cent a thousand cubic feet higher than the previous contract concluded in 1968.

The Westcoast application also includes provision for the construction of additional facilities to meet the growing markets of a rapidly expanding British Columbia. When these requirements are combined with the export it will result in a required mainline capacity of approximately 1.2 billion cubic feet a day in the winter of 1971-2.

Supplies for the additional markets are being proved up in





northern British Columbia and the southern Northwest Territories,

Mr. Owen said.

The Beaver River-Pointed Mountain structures on the B. C.-N. W. T. border are now determined to have well in excess of two trillion cubic feet of gas -- sufficient to deliver 300 million cubic feet a day. Also, it is planned that the Milligan-Peejay trend area near Fort St. John will be connected this year to provide more than 60 million feet a day additional supply.

Mr. Owen reviewed affiliated companies:

Mountain Pacific Pipeline Ltd. Work has been under way for some time by Westcoast and the Bechtel Corporation to tie the growing reserves of the far northern areas of Canada and the Prudhoe Bay area of Alaska to the California market. New supplies of gas are needed in the U. S. as demand increases and discoveries continue to decline. The pipeline plan would make gas available for California, eastern Canadian and U. S. Midwest markets. It would not impinge on either the supply or the markets of Westcoast Transmission.

Westcoast Production Co. Ltd. This company, a wholly-owned subsidiary of Westcoast Transmission since 1957, was converted into a public company this year, with Westcoast retaining a 40 percent interest. In February the remaining 60 percent of the shares were sold in Canada





and the United States, realizing \$23,480,000 to the company. Westcoast Production has an interest in 8,800,000 gross acres (2,620,000 net), with a strong position in the far north. A vigorous program is contemplated during the coming year with \$5.3 million budgeted for exploration and land acquisition.

Western Pacific Products & Crude Oil Pipelines Ltd. This company, in which Westcoast has a 45 percent interest, is undergoing an expansion which will bring capacity up to 72,000 barrels a day. As petroleum consumption in B. C. for 1969 is approximately 125,000 barrels a day of crude and product "it is evident that there will be a ready market for all the oil that can be produced in the province for an indefinite period in the future." Earnings for the first six months, which will be released shortly, will show a satisfactory increase over the same period of last year. Western Pacific, along with Westcoast Production and Pacific Petroleums, also holds a good position in acreage in the far north, including the Arctic Islands. Holdings are spread over a dozen parcels totalling 2.5 million gross acres.

Pacific Northern Gas Ltd. This 350-mile pipeline through west-central B. C. to tidewater at Prince Rupert, sponsored by Westcoast Transmission, went into service earlier this year, and already maximum sales have reached 31 million cubic feet a day. New pulp mills and sawmill





complexes are being signed up for service and the company is installing distribution systems in the major towns along the route. The entire area is rich in timber and mineral resources, and industry, population and gas usage are expected to grow apace. Westcoast holds a 26.7 percent interest in Pacific Northern, which includes all the voting shares.

